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*In this issue you will find articles examining:*

- Career Development
- Change Management
- Cultural Intervention
- Leadership Development
- Knowledge Management
- Organization Capability/Effectiveness
- Organization Design/Transformation
- Talent Management
- Team Building/Effectiveness

**SPECIAL EDITION:  
Best Global Practices in Internal OD**



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*Letter from the Editor:*

# Best Global Practices in Internal Organization Development

*by Thiet (Ted) K. Nguyen, Johnson & Johnson*

I recently returned from a business trip to the Asia Pacific Region where I visited Japan, China, India, Singapore, Thailand, and Vietnam. Several weeks prior to this trip, I was in Europe visiting Germany, Switzerland, Belgium, and the UK supporting the EMEA region talent management team with strategic projects. During my global business travels in the last several years, whether to emerging markets like Russia, Turkey, China, India and Vietnam or to established markets like the UK, Germany, Spain, Italy and Japan, I have come to appreciate the value our profession brings to drive change while enhancing organizational growth and vitality.

From my perspective, I believe our profession is becoming localized in this global market place. Today, Western consultants are traveling to the East. Tomorrow, we may see Eastern consultants traveling West as the need for Western consultants traveling East diminishes. Today, we may export knowledge and talent from developed markets to help grow developing markets. Tomorrow, we may import talents from the emerging markets to help turnaround established markets. The global marketplace is changing rapidly, and I believe we need to continually upgrade our skills and reinvent our knowledge to remain vital as a profession.

By publishing this global Special Edition, we expect to achieve our goal to help drive change and grow our profession. This Special Edition will benefit the HR/OD community in several ways:

- *Academic community* – The academic community will find the content of these contributions of value to raise the awareness of current best internal practices. Program directors can be informed and encouraged to strengthen their curriculums and research directions. Graduate students may use this edition to leverage their classroom experience, as they prepare to enter the OD profession and compete for opportunities in the global marketplace.
- *Current practitioners* – Both internal and external practitioners can use this knowledge to guide and grow their practice areas, enhance their skills, and strengthen their core competencies, by learning from other OD professionals.
- *Our clients and business partners* – Potential and existing clients can be better informed of the capabilities OD professional can bring to enhance employee engagement and organizational growth and vitality.

Since the May 2007 publication of the first of a three-volume set of the global Special Edition, we have received a number of congratulatory phone calls and emails from academics and practitioners. We have also received requests for copies from colleagues worldwide. Given the overwhelming interest level to the premier global Special Edition, our printer agreed to a second printing within two weeks of the initial publication. We appreciate your warm thoughts and forgiveness of any errors or omissions you may have found while reading the last edition.

Content like this has never been captured or disseminated because internal practitioners tend not to have the luxury of time to write. This is the first time many of these authors took the time to document their work, secure the support of

their company to release the information, and share their internal efforts with all who are interested. We applaud all our authors for their trust in us, and their willingness to provide working papers without the benefit of professional editors. What readers will experience in this global Special Edition is truly the authentic voices of internal practitioners worldwide who share their stories from a place of caring and eagerness to advance the field of organization development.

While this series is titled a best internal OD practice edition, no one associated with its production has judged or evaluated “a best global practice”. Rather, authors were encouraged to share what they perceived to be a best practice within their organization, whether that organization is a start-up company in India, a non-profit organization in the USA, an energy company in Africa, or a hi-tech company in China. We also chose not to judge whether an article fits the definition of organization development, since there are variations among the definitions of OD. We recognized, too, that OD is practiced differently across geographies, countries, sectors, industries, organizations, groups and contexts.

To share additional insights into their workplaces, many authors have generously provided a one-page reflection outlining their working environment, the benefits of the intervention as described in their paper, and finally, to share their take on the experience. In some articles, the reflection page includes one or two brief testimonials from their business partners, internal clients, and/or others who were directly affected by the interventions.

This second global Special Edition is the collaborative labor of love of 20+ authors/co-authors and an all-volunteer team of 105 practitioners worldwide who have invested thousands of hours during the last year to bring this publication from concept to reality. Together, we have become actively engaged because of our passion and commitment to enhance the capabilities and reputation of our profession. Collectively, we share the common goal of advancing the field of organization development by strengthening the internal body of practice literature.

We hope you will enjoy reading this global Special Edition. Look for the final volume in November 2007 when we will bring you the remaining 25 articles. As always, we welcome your feedback to help us continually improve.

**Thank you.**

Ted Nguyen  
New Brunswick, New Jersey  
July 2007

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# Using OD to Enhance Shareholder Value: Delivering Business Results in BP Castrol Marine

*David Gilmour, Castrol Marine, BP plc*

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## Abstract

During the turnaround at BP Castrol Marine, operating costs were reduced, customer satisfaction improved and gross profits increased. OD was the key to enhanced shareholder value. Appreciative Inquiry was the vehicle chosen to deliver the results by discovering best practice at BP Castrol Marine, which generated the way forward. The greater goal of transformation was to thrive, not just survive. David Gilmour and his team did this by creating a culture of commitment and discipline.

## Introduction

The overall purpose of the paper is to show how OD is an enhancer of shareholder value. During the two-year period from 2004 to 2006, total operating cost of the business was reduced, customer satisfaction improved and gross profit increased. The Return on Invested Capital (ROIC) and Earnings Before Interest, Tax and Debt repayments (EBITDA), ratios used by analysts to value and price business, improved. This paper shows how these business results were achieved and the cultural transformation that took place.

When I was appointed to Castrol Marine in July 2004, the situation was clear: there was a need for change due to the lack of clarity in a number of key areas: customer segments, brand positioning, disappointing financial results, declining customer satisfaction and unclear strategic direction of the business for employees. My remit was to address each of these areas.

I had a choice of how to deliver the results: there were many options within BP itself and I was aware of the traditional method, which is for a managing director to decide where and how to reduce costs and for people to implement that decision. I had the freedom to choose a new approach to deliver change: Appreciative Inquiry (AI). I had learned about it in a workshop with Anne

Radford and used it in various ways in my previous positions. For me, the appeal of the AI approach was its emphasis on relational working, using affirmative language and building trust and commitment. The potential of AI was that people in the same location, across regions and throughout the business would work together to discover collectively best practices in their operations and generate a way forward. Strategic issues would be linked at the same time with operational issues, and staff demoralised by earlier poor business performance and fearful of business closure would be actively involved in the business turnaround.

After my appointment I asked Anne to work with me as my thinking partner which she has been for the last three years. Although this article is written from my perspective, it reflects the thinking she and I have done over that time. Also, the points I have chosen to emphasise are the ones that I found compelling as a business leader – these may be different from the ones an OD practitioner would choose to focus on.

This case study is an important addition to the growing set of examples where positive change approaches are an integral part of delivering major business improvements. This article is in three sections: first, background information on the challenges in the Castrol Marine business; second, cultural and business improvements during the two-year period 2004-2006; third, the OD approach, including tools and techniques used during this time.

## 1. Background information and Business Challenge

**1.1 Background Information on the Castrol Marine business:** Castrol Marine is a Performance Unit operating within the International Marine business unit within Refining and Marketing in BP plc. International Marine markets fuels and lubricants to shipping companies around the world. International Marine is a \$5B+ turnover business with over 700 employees.

Castrol Marine is a global marine lubricants marketing business selling and marketing in over 70 countries and has sales, marketing and technical teams resident in more than 40 countries. Castrol Marine has been in business for over 100 years and can trace its roots to the pioneering days of marine lubrication to WB Dicks, a company trading 150 years ago. It has a strong reputation for customer focus, flexibility and technical know-how and is positioned as the premium player in the market. The employees, over 150 sales, technical and customer service staff, have considerable pride in the brand and in their track record delivering customer satisfaction.

### 1.2 The Organisational and Business Challenges:

Castrol Marine was acquired by BP plc in 2000. This integration was especially challenging as BP Marine itself was undergoing a significant business transformation through internal reorganisation, development of joint ventures aimed at transforming the marine marketplace and a significant systems implementation. The Castrol acquisition was judged to be a small but a valuable addition to its business. However the size and scale of this integration was underestimated.

Despite the best endeavours of the management, the business lost momentum internally and in the market place, and its business performance declined rapidly. A major strategic review and implementation were initiated during 2003. The outcome was a significant re-orientation of the business to define priority segments, position the brand clearly and provide internal functional support aligned with the segments.

I was appointed to the role of Performance Unit leader, Castrol Marine on July 1st 2004 with the aim of implementing this business strategy. In addition to improving the business, my main challenge was employee engagement to deliver the business objectives. A new management team was also in place by September 1st 2004. Their crucial role is described later.

## 2. Business and Cultural Improvements from 2004 to 2006

**2.1 Impact of OD on shareholder value:** During the two-year period, results from formal internal surveys showed a significant increase in areas such as trust and respect that people had for each other in the business. The impact of these improvements showed up in areas that affect shareholder value. A reduction in invoice errors led to a more timely dispatch of invoices improving cash generation – a key driver of dividend payout. Fewer errors also meant less manual intervention i.e., lower costs of back-office administration reducing the total operating costs of the business.

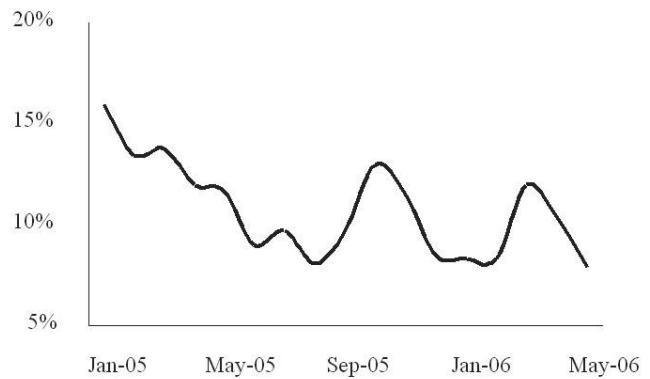


Figure 1: Decline in Invoice Error Rates<sup>i</sup>

Another key area was improving customer satisfaction. This allowed an increase in gross profit on the same cost base raising the return on sales and hence quality and size of profitability.

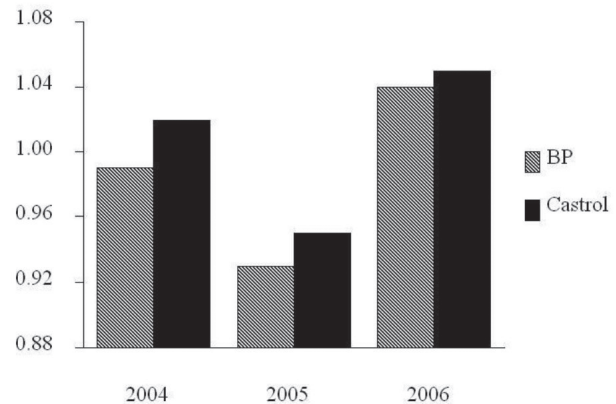


Figure 2: Improvement in Customer Satisfaction<sup>ii</sup>

Taken together the Return on Invested Capital (ROIC) and Earnings Before Interest, Tax and Debt Repayment (EBITDA) improved. These are not the ratios used internally, but they are used by analysts to value and price businesses.

### 2.2 Key Cultural and Financial Improvements.

The following table shows some of the key cultural and financial improvements during the two-year period from 2004 to 2006:

## 3. The OD Approach, and Tools and Techniques

**3.1 The OD Approach:** Thought leaders in the field of Organisation Development are highlighting the emergence of a new OD: Robert Marshak contrasts classical OD based on the assumption of an objective, knowable reality with the new OD which looks at change as being cyclical and continuous, and operating from multi-cultural realities.<sup>iv</sup> Lessons are also being learned from complexity science with its emphasis on self-organising systems.

The choice was made to work with the OD paradigm that emphasises participation, shared leadership and a

The Business Position in Q3 2004	The Business Position in Q3 2006
<b>THE MARKET</b>	
<ul style="list-style-type: none"> <li>• Cost of goods starting its dramatic rise through rising oil prices</li> <li>• Fierce price competition as competitors seek market share gains leading to price and volume decline for Castrol Marine</li> </ul>	<ul style="list-style-type: none"> <li>• Between 5 and 6 price increases implemented with a net improvement in pricing (this contrasts with price decline for previous decade)</li> </ul>
<b>THE CUSTOMER</b>	
<ul style="list-style-type: none"> <li>• Loyal customer base</li> <li>• Customers dissatisfied with the basic offer – poor invoicing, poor delivery performance – and a lack of clarity around what was the basic offer</li> <li>• Strong relationships between sales teams and customers' challenged by poor transactional processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Loyal customer base, no significant losses in customer numbers and acquisitions rate above market growth</li> <li>• Development of a 'One Team' culture enabling greater responsiveness and flexibility in meeting customer and internal needs</li> </ul>
<b>THE FINANCIAL PERFORMANCE</b>	
<ul style="list-style-type: none"> <li>• High fixed-cash costs</li> <li>• Some improvements started to be seen due to price initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• International marine split into two material operations, reflecting the success of marine lubricants and fuels.</li> <li>• Costs stabilised, overheads under control</li> </ul>
<b>INTERNAL PROCESSES</b>	
<ul style="list-style-type: none"> <li>• Processes and relationships 'broken' due to Merger &amp; Acquisition</li> <li>• Little investment in people capabilities</li> <li>• High levels of internal complexity</li> <li>• Lack of understanding of customer needs</li> </ul>	<ul style="list-style-type: none"> <li>• Clear segmentation and understanding of customer needs</li> <li>• Simple offer, internal processes well defined, easier to work</li> </ul>
<b>ORGANIZATIONAL CLIMATE</b>	
<ul style="list-style-type: none"> <li>• Business challenged by management to improve</li> <li>• Business was given space to implement strategy.</li> <li>• Fear of business failure and redundancies within the business</li> <li>• Transformation programme announced including staff reductions</li> <li>• Internal relationships between sales, supply, service and finance were fractured resulting in a strong blame culture</li> </ul>	<ul style="list-style-type: none"> <li>• Business is a reference for excellence in business marketing</li> <li>• Staff reductions have taken place and people relocated to other parts of BP Group</li> <li>• Pride in performance, rising employee morale</li> <li>• Major investment in people capability (leadership and sales and marketing)</li> <li>• Team is empowered and executes agreed actions with discipline and rigour<sup>iii</sup></li> </ul>

**Table 1:** Comparison of the Business Position in 2004 versus 2006

culture of commitment and appropriate innovation. During this two-year period, leadership styles changed both for me and my management team and the culture of commitment grew.

**3.2 Using an Appreciative Leadership Style:** Once I had decided to use Appreciative Inquiry, I explored the implications of AI principles for my leadership style. It did not feel like a choice – it felt like a part of my belief system. Using the methodology helped me understand its significance at a behavioural level and then as a way of life. The practical steps were worked out in coaching sessions with Anne Radford.

This helped me develop an appreciative leadership style, together with the following beliefs:

**1: Valuing or believing in experimenting with diversity:**

- Opening up possibilities and co-creating the way forward with others
- Having the arguments which surface differing views
- Setting goals beyond the norm so that something new happens

- Creating a learning environment where the emphasis is on personal development and assisting others to become leaders
- Bringing in consultants who are passionate about their profession and willing to apply AI principles to their areas of expertise

**2: Thinking that a leader’s way of working is an extension of how a great company should be.**

**This includes aspects like:**

- How a leader would want to be treated
- Wanting to leave a legacy in the business and in the industry

**3.3 Creating a Culture of Commitment**

**3.3.1 Selecting the Team:** Together with the support of my peers, I created a team during the reorganisation of the business united by: their passion for the business; their abilities to deliver significant change and establish strong relationships with others; a balance of youth and age; specific industry experience; and those who needed to prove something to themselves and others. Working as a team did not have a perfect start – some watched from the sidelines while others challenged hard. It was clear I was being watched and tested – once they saw I was being authentic they gave me their trust and confidence. While there have been some changes in the team, these have been fewer than the norm. Interestingly, the team now accepts new people well and attracts people who want to work with trust not control.

**3.3.2 The Team’s Role in the Change Effort:** The team was crucial in taking the culture of commitment into the middle management and to the front line. Their leadership behaviours, their role modelling the qualities and skills important in this style of leadership, and talking about what we were trying to achieve were key to creating the wave of change throughout the organisation. They implemented key business priorities and brought insights and internal and external data to the team to establish priorities and select interventions.

**3.3.3 Building and Sustaining Authentic Relationships with the Team:** I made it a priority to spend time with each member of the team focusing on their personal and career development and to support them publicly with their teams. I established 1-2 hours per month 1:1 performance reviews on what was working well and what they were doing well. I disregarded performance blips and ensured they focused on the big goals and worked with them to succeed. I encouraged risk taking and establishing goals that were way beyond performance norms. Even when these were not achieved, our success was transparent to those outside.

The team saw that I took personal risks in the media, took responsibility for success and any perceived failure

and always reflected on what I was not able to do. I created a culture in the team where when we took the decision to deliver: we ‘signed in blood together’ and held each other to the highest standards and worked with each other with trust and relatedness, not punishment.

Trust and relatedness are very important where people are located at huge distances from each other. It has been important that meetings emphasise these aspects and address tasks through peer coaching or ‘experience sharing’ sessions during the meetings.

**3.4 The Use of the AI Methodology.** The AI methodology can be described briefly as: choosing an affirmative topic for an Inquiry; discovering what is working in a system; dreaming or envisioning a compelling image of the future by building on past successes; designing the relationships, systems and processes with others that will deliver the future; and looking at how the organisation will continue to learn, improvise and sustain its success – in other words, will reach its destiny. This cycle was used in many different settings, informal and formal, and a variety of business processes from product launches, team building, business process transformation and strategy development. One of the challenges in using this approach at the beginning of a change process is that instead of dealing with certainties in terms of known problems, there are many uncertainties: for example, what kind of future will be generated, and how to best to combine organisational strengths to deliver that future?

ACTIVITY	INQUIRY TOPIC
• Bringing teams together for the first time.	• Being part of a great team
• Product launch – Front-line engagement into a successful launch of a product	• Delivering great launches
• AI Summit with the Extended Leadership Team (Senior leadership conference)	• Extraordinary performance through inspirational sales leadership
• Business process transformation	• How do we make life easy for ourselves and our customers?
• 333 coaching	• 3 successes, 3 strengths you have brought to the business, 3 areas to pay attention to
• Strategy development	• What can we be best in the world at? What are our people passionate about?

**Table 2:** Activities and Inquiry Topic

Some specific times and ways the methodology was used are shown in Table 2.

## Conclusion

A business turnaround is a single-minded, possibly brutal, activity focusing on short-term improvements to ensure survival. Transformation is much more complex, interlinking cultural aspects such as value delivery, employee motivation and pricing processes. It is aiming for a greater goal – thriving not surviving.

Insights during this time period include:

- 1 One key role of a leader is to unlock the true wishes and desires of people in the business – something beyond survival and towards powerful transformation. The classic way is to compartmentalise the business journey into linear episodes: turnaround → transformation → generation for sustainability. My current reflection is that all three need to be present, each needing emphasis at different times. A heliotropic view, with the focus on hope and certainty of success, was very important, especially at the bleakest moments.
- 2 Problem areas were dealt with, but not as something to be fixed. The lack of focus on the ‘problem’ was initially strange for the team but was very quickly welcomed. Their energy grew as they saw and heard about successes throughout this global business. Problems or perceived problems were quickly left aside as successful interventions offered different routes for the organisation’s success.
- 3 The focus was on dealing with the root of an issue and not being content with treating the symptoms. This meant stopping only when each intervention was complete and embedded. It also required patience and steadfastness from all levels of leadership. At times, progress seemed very slow but small.

## Authors’ Reflections

As Director for Castrol Marine, my mandate was to put in place the strategy and associated programmes for a significant business turnaround. The major challenges included building motivation in my leadership team in the face of poor business performance and for them to build motivation in their front-line, customer-facing staff.

We began by focusing on what was working well and creating a sense of hope, purpose and aspiration for the future of the business. Stories of success shared in a variety of ways across the business led to more willingness and commitment to continue turning around the business.

I have learned a number of valuable lessons:

- Bring the individual needs and the requirements of both the team and the business into a coherent frame. When done successfully, astonishing performance can be reached.
- Do not expect support from all your colleagues. Advice focusing on short-term results, such as cutting costs, needs to be weighed carefully. Have courage of your convictions and a belief in the organisation beyond mere survival. It can be a lonely job at times. Select managers who have the desire to lead in different ways and who will engage the whole organisation.
- Be ‘whole’ with your espoused philosophy. Although initially authenticity is treated with suspicion, consistency in approach and behaviours becomes highly valued and prized by the organisation.
- Remain humble about your role in the success. Make sure the success is owned by all, and especially by the most junior in the organisation.
- Find a coach and mentor who can offer independent and differing perspectives.
- Utilize Appreciative Inquiry and focus on the positive. This approach can work in many different settings, business environments and with a wide variety of cultures and experience.

I recognise that it is not common for a business leader to take on the OD function. My advice to business leaders who do not have the time or capability to develop such an approach is:

- Appoint an OD professional to work with a small group of your senior managers to develop the approach. Form a close partnership with the consultant so you influence and co-create the strategy. Your role is to be the active and visible sponsor of the intervention, not of the HR or OD function.
- Coach your leaders and focus on what is working. This creates the belief that something ‘different is happening’.
- Know how to handle ‘failure’. An objective approach to facts and data while seeking the relevant learning reinforces strength even in the face of the normal day-to-day business challenges.
- Be patient as your leaders re-orient to the new perspective – beliefs, values and trust build as you maintain a consistent approach.

- Don't take this approach if you don't believe in the strength and success of your organisation. Don't do it if you believe that logic and analysis alone will make a difference. Don't do it if you intend to revert to a directive, deficit-based approach if things don't move in the way you want or the pace you want. Be consistent with your own beliefs and values.

*I was very pleased to see this appreciative leadership approach. Even though it isn't very common, it has delivered extraordinary results which were beyond the incremental.*

- Business Unit Leader, BP plc

*Openness and an inclusion of the diversity of the entire team helped in sharing experiences across cultures.*

- Newly appointed Sales Manager, BP plc

## Authors' Bios

David Gilmour leads a marine lubricant business in BP plc and has held roles in sales and marketing. David became interested in Appreciative Inquiry as Strategy Director: it gave him a new way of leading based on strength, continuity and hope for the future. Email: david.gilmour@bp.com

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## Endnotes

- i Source: Internal BP documents
- ii Ibid.
- iii Information from "Context for AI Dialogue: 30th June 2006," prepared by David Gilmour
- iv Marshak, Robert J. "Is there a new OD?" *Seasonings* Volume 1, Number 1, Spring 2005. Texts such as *Organization Development: Behavioral Science Interventions for Organization Improvement* (Wendell L. French and Cecil H. Bell, Jr., Englewood Cliffs, NJ: Prentice-Hall, 1999) describes the many definitions of OD from the 1950s. With the emphasis on diagnosis and leading from the top are related texts such as *Process Consultation Volume I: Its Role in Organization Development* by Edgar H. Schein (Reading, MA: Addison-Wesley, 1988) where the role of the consultant was also to focus on diagnosis and passing on to the client the consultant's diagnostic skills. In Europe, Charles B. Handy's widely read *Understanding Organizations* also emphasised the need for diagnosis of organisational dilemmas. (London: Penguin, 1985).
- v Olson, Edwin E. and Glenda H. Eoyang. *Facilitating Organization Change: Lessons from Complexity Science*. San Francisco: Jossey-Bass Pfeiffer, 2001
- vi Publications describing the AI methodology with detailed examples include: AI (Appreciative Inquiry) *Practitioner* (quarterly publication, www.aipractitioner.com); *Appreciative Inquiry Handbook* by David L. Cooperrider, Diana Whitney and Jacqueline M. Stavros (Cleveland, Ohio: Lakeshore Publishers, 2003); *Appreciative Inquiry: Change at the Speed of Imagination* (Jane Magruder Watkins and Bernard J. Mohr, San Francisco: Jossey-Bass Pfeiffer, 2001) and *The Power of Appreciative Inquiry: A Practical Guide to Positive Change* (Diana Whitney and Amanda Trosten-Bloom, San Francisco: Berrett-Koehler, 2003).